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SAN SALVADOR—There is a saying in this land of lyric proverbs that smart fishermen profit when river waters get rough. Somehow, in the midst of all the turmoil here, it still holds true.

It is surprising enough to find that businesses and factories still work here. It is even more surprising that some are doing well. The economy has been shattered by a 2½-year war of economic sabotage by leftist guerrillas. Most foreign credit has been cut off, there is a shortage of just about everything, transportation is a mess because the guerrillas blow up bridges and vehicles, and a lot of desperately needed professionals have packed their bags and left, sick of being a favorite target of leftist attack.

"It amazes me that anyone stays here to work," says a German-educated business consultant whose clientele has dwindled considerably. "I think a lot of other countries would have caved in completely long ago under these conditions."

But life goes on here in this enterprising nation that many call the Taiwan of Central America. Businessmen have learned to adjust by pulling in their belts and stretching their creativity. Many manufacturers have stopped trying to sell outside the country and are expanding their local markets instead. They are learning to use local materials and weaning themselves from imports. There are fewer hours on assembly-line shifts to keep all the workers on a reduced budget. And to throw off would-be attackers, no one arrives for an appointment on time anymore.

"A Buck to Be Made"

"El Salvador is an excellent example of the adaptability of private enterprise," says a banker of Banco Cuscatlan. "These guys know there's a buck to be made because there are five million people here who still have to eat and wear clothes."

Certainly, not all businessmen have been so adaptable. Many weren't willing to make sacrifices or just couldn't hold on any longer. There is evidence of the exodus everywhere, from blocks of stores boarded over with dirty aluminum slabs in the dingy downtown to secretaries in elegant offices who are "very sorry, but the chief executive, president and vice president now live in Miami."

Those who stay on, however, are determined to see the unrest through to the very end. And predictably, they are meeting with varying degrees of success. Some are struggling just to keep above water, while others have capitalized on the misfortunes of competitors who went under. Regardless of how well they are doing, most businessmen see themselves as symbols of Salvadoran determination to continue. Perhaps even more important, they see themselves building this country's future and preparing for the time when the dust finally settles. As one weary store owner puts it, "Closing up shop now would be the same as admitting defeat to the rebels."

The stories of four San Salvador businessmen typify that determination. Two of the men requested anonymity for both themselves and their companies because they have received threats from leftists. The tales of how and why they manage, although all very different, constitute the story of private enterprise in El Salvador today.

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Business as Usual

Economy Is in Ruins, But Some Enterprises Thrive in El Salvador

Stories of Four Businessmen Illustrate How Commerce Is Conducted Amid Chaos

The Demand for Camembert

Insurance-Company President

Two heavily-armed guards with machine guns over their shoulders stand on the front porch of the insurance company, scrutinizing every passer-by. The thick, bombproof walls and mean-looking fence with jagged pickets that surround the office are common features in this fashionable business district. So are the cell-like vestibule that's enclosed in steel plating, the receptionist who grills visitors behind a bulletproof window and the guard with the machine gun who opens electronically controlled doors and then goes back to chatting with secretaries.

The president explains that he instituted all the protective measures after a terrorist attack on the building two years ago that left one employee permanently paralyzed. (He is actually the acting president; the real president was kidnapped and severely wounded by leftists shortly before the attack on the office and is still recovering.)

The guerrillas have financed their activities partly through kidnapping prominent businessmen and holding them for ransom. U.S. officials here estimate that millions of dollars have been paid out, although the payments are always hushed up as part of the agreement to return the businessman alive. Guerrilla attacks also account for an estimated \$500 million loss in production facilities, equipment and offices over the past three years. "We are all fair game for the rebels, but we can play their game, too," the president says in the slow drawl he picked up while studying at Texas A&M University.

For him, it means leaving for the office or lunch at different hours every day, changing cars and drivers twice daily to avoid being recognized, traveling different routes and never advising his secretary of his whereabouts. To safeguard the office, he moved vital equipment and the switchboard to the back of the building, recorded sensitive files on microfilm and deposited the office computer in a basement safe. He won't say how much all those adjustments and security measures cost, "but it's either this, or pack up and leave."

The company lost money in 1979 and 1980

because of the rash of kidnappings, murders and bombings. The president says the number of people killed by gunfire increased 600% in 1980, and the company lost a fortune on group insurance. He is very picky nowadays about clients and won't touch certain professional groups such as government employees who work in rebel-infested areas.

The president says his U.S. and European insurers have been "very understanding," but they insisted that he cut out coverage for explosion or fire by terrorists, and for most buses and autos, which, the guerrillas are fond of burning.

Just about the only things left to insure are earthquakes and small businesses, and that's how the company made a profit in 1981. This *desolately* beautiful country is prone to frequent and violent tremors; and as the president says, it "doesn't matter if there's a war on; you still need protection from Mother Nature." As for small businesses, the guerrillas must figure they aren't worth the effort because they don't much bother them, the president says.

"This company is a lot different than it was three years ago," he says, watching the armed guard make his rounds among the accountants and salesmen. "But if it means turning this place into an armed camp to keep on going, then we will."

Cheese Manufacturer

In a small, unimpressive white stucco house in suburban San Salvador, Gustavo Tejada is building a cheese factory. This isn't your run-of-the-mill cheese factory, either. Mr. Tejada, a native of Bolivia who studied food technology in France for 10 years, is going to produce Brie, Swiss and Camembert — "better than you buy in France."

He finds nothing strange about spending \$100,000 of his own money to make exotic cheeses in a tropical country that is in the midst of a civil war. He explains that people in these parts developed a taste for imported cheeses over the years. But this nation is desperately short of foreign currency because nervous bankers have cut credit lines, and now no one can afford to import cheese anymore. "So I'm going to fill in the gaps," he says proudly.

The name of Mr. Tejada's new company is Alimentos Especiales—Special Foods—and he isn't going to market its products. People will have to come to his little hole in the wall if they really want it, he says. Just about all the ingredients he needs are available here in El Salvador, except coagulants and cultures. But Mr. Tejada isn't worried. He says he can always make them himself if he can't afford to import them from the U.S.—it will just take longer because it's a complicated process.

"I know that I'm taking a risk at a time like this," he says, proudly showing off the small, darkened rooms with temperature controls where he will produce his cheese. "But this is a time of destruction, and I think there should be just a few people on the other side, trying to build."



Bill Schapp, Ellen Ray, and Louis Wolf (left to right) are editors of Covert Action. STATES NEWS SERVICE

the principle, 'When in doubt, don't classify.' What we're seeing now is the reversal of that principle.

"And for what reason? Why shouldn't the government make public all the information it had compiled about, for example, the character of [right-wing El Salvador politician] Roberto d'Aubuisson? If the government gets a report saying d'Aubuisson is an absolute butcher, why is that report classified? Why should the American people be kept from the truth? National security has come to mean the security of those who invoke it. Officials hide what is embarrassing or inconvenient, what poses a challenge to their positions or their agency."

"The impact of current and pending rule changes will make it nearly impossible to discuss serious intelligence-related issues, certainly intelligence abuses," Wolf said. "CIA entrepreneurs ... will

have an easier time doing business with Idi Amin. And if you came across an operation where a CIA team was planning an immoral, illegal, unauthorized act, it would be a crime to break that story, because you can't write a story without identifying who is involved."

While Covert Action defends an unrestrained press as a bulwark of democracy, others have attacked the magazine's own brand of muckraking as lethally irresponsible. In 1975 Richard Welch, the CIA chief of station in Athens attached to the US embassy under diplomatic cover, was assassinated. Earlier, he had been publicly named by Agee as an agent. Then-CIA Director William Colby blamed this exposure for the murder. During congressional debate on the identities-protection bill, Sen. Chafee used the Welch case as an example of what the legislation would prevent from recurring.

The editors of Covert Action deny they are accountable for any harm that comes to CIA agents. "When we identified agents," Wolf said, "we did so from public materials."

Covert Action has also been accused of being a conduit for Soviet forgeries.

Schapp conceded that in the nether world of intelligence agencies and clandestine operations, evidence is often ambiguous and sometimes deceiving. But he defends the integrity of the magazine's investigative probes.

After columnist Anderson charged they were mouthpieces for Cuba and the Soviet Union, the editors said, they telephoned Anderson and reminded him that in the past he had solicited information from them and used it in stories.

"We told him that if we were KGB agents," Schapp joked, "then he'd have to tell his readers he'd been our dupe."

Young Businessman

The Columbia University-educated businessman started out on April Fools' Day 1979. That was just a few months before the coup that installed the military-civilian junta that now has given way to a new government, the result of the recent election. He borrowed \$10,000 and, joined by five friends, set up Maquinsal, an industrial-sewing-machine concern. They persuaded Singer Co. to give them \$100,000 of sewing machines on credit, and they were in business.

"Everyone thought we were crazy; Nicaragua was in turmoil, and things were very tense here," he says. "But this country was always one of the most fiscally conservative in the area and had an excellent credit rating before everything started to blow. We convinced just enough people that with everyone else getting scared and leaving, this was a chance to move in on the market."

The game plan was to go after the "little guy—the one with the small factory off in some mountainside community." His salesmen lugged models of the machines to remote villages where the dressmaking industry usually consisted of a few local women gathered under one roof doing piecework. He started out with six employees. Now he has 38 people on the payroll. In 1981, he had net income of \$200,000 on sales of close to \$1 million. And he has launched a \$10,000 television ad campaign this spring to push a new line of machines.

His shop is still modest, with its tiny display floor of different sewing machines, like a menagerie of exotic, long-necked creatures. Tucked away in a sultry corner of a back room, 40 women pore over dress patterns to the hypnotic whir of fans. This is a little school that Maquinsal runs for anyone who wants to improve his dressmaking skills. The businessman says that there has been an explosion in the textile apparel industries here because no one can import anymore, and that his classes are always full. The company loses about \$1,000 a month on subsidizing the lessons, but the businessman says they are a good investment anyway.

"First of all, it promotes our name," he explains. "Many of these women will open factories one day, and we hope they will remember us. But it also helps my country by making products. Maybe someday, when everything is all over, we can export our products. That's our real future."

General Manager

In 1978, as general manager of a manufacturer of buttons and boxes, he had three plants working around the clock with 900 employees; annual sales totaled \$25 million. Today, the company has 600 employees, operates a single shift at each plant and reported 1981 sales 38% below those of 1978.

The general manager's situation pretty much sums up conditions for most Salvadoran manufacturers today. He has lost about 30% of his Central American customers because they don't trust that he can deliver. Even if he can find a trucker willing to risk driving through rebel-held territory, the costs are exorbitant. An independent trucker used to charge him about \$1,600 to drive to Panama; these days, he's lucky to get away with \$5,000.

He has also lost credit from his U.S. suppliers. He has to import just about all his raw materials: paper, cellophane, aluminum and so forth. His suppliers used to let him request an order by telex and would immediately dispatch the materials. He then had 180 days to pay. But when the war with the guerrillas started heating up a couple of years ago, all that changed. As one U.S. supplier who had been a close friend for years told him, "Your factory has an A-1 rating, but Not the country. No more credit."

So now his suppliers want a letter of credit for dollars guaranteed by the Salvadoran central bank. That means the general manager has to deposit 100% of the value of the order in colons, the local currency, and then wait for the central bank to come up with the dollars. That usually takes about two months, then there is another two-month wait to process his order in the U.S. "Meanwhile, I've got valuable working capital tied up doing absolutely nothing," he laments. (The banker at Banco Cuscatlan says the banks are making a bundle on that money because they can lend it out without having to pay interest.)

What hurts the general manager the most, however, is that it's getting harder and harder to keep his employees on. He says he should fire about half the remaining 600 workers to make the company most efficient. But many of the workers have been with the company for over 10 years, and some of them are like family, he says. So he, along with many other employers, is going to try to keep them on the payroll, even if there isn't any work. "If we let them go, there's a good chance they'll end up on the other side with the guerrillas, throwing bombs at us," he explains. "We're all in this together. And that's the only way we'll ever win."